

HOPE ACADEMY

2011-2012 Performance Analysis

Core Question 2: Is the organization effective and well-run?

| 2.1. Is the school in sound fiscal health? | |
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| STANDARD | The school presents significant concerns in no more than <u>one</u> of the following areas: a) its state financial audits (e.g., presence of “significant findings”); b) its financial staffing and systems; c) its success in achieving a balanced budget over the past three years; d) the adequacy of its projections of revenues and expenses for the next three years; e) its fulfillment of financial reporting requirements under Sections 10 and 17 of the charter agreement. In addition, if the school presents significant concerns in one area, it has a credible plan for addressing the concern that has been approved by the Mayor’s Office. |

2011-12 Performance: **Approaching Standard**

A) The School’s Financial Audits (e.g. presence of “significant findings”)

For fiscal year 2012, Blue and Company performed a certified audit with no significant findings. In addition, Blue and Company performed an “agreed upon procedures” audit which was required by the State. The audit was submitted to the State Board of Accounts on February 28, 2013 with no significant findings.

A certified financial audit is performed annually by Blue and Company, LLC for Fairbanks Hospital, Inc. (DBA Fairbanks) of which Hope Academy (HA) has been a member since opening in 2006. The audits performed from 2006-2011 confirmed there were no significant findings or material weaknesses. The State Board of Accounts also performed separate audits for 2006-2011; there were no significant findings.

B) The School’s Financial Staffing and Systems

Hope Academy has established adequate staffing and systems for managing its finances. The school contracts with Bookkeeping Plus, Inc. for all accounting functions. These functions include, but are not limited to issuing vendor checks, reconciling accounts, submitting reports to the State and preparing monthly financial statements. Barbara Elliott, the Treasurer for Hope Academy and the Vice President and Chief Financial Officer for Fairbanks also provides review and oversight of the school finances.

C) The School’s Success in Achieving a Balanced Budget Over the Past Three Years

Based on a review of the consolidated financial statements for Fairbanks the school faced a significant challenge to maintain a profit and a positive cash flow over the last three years. According to the audit, Hope Academy ended fiscal year June 30, 2011 with net assets of (\$62,721). This trend continued for fiscal year June 30, 2012 ending the year with net assets of (\$91,373). These financial challenges were anticipated as a result of the State reimbursement methodology for schools. Currently the breakeven point from a cash flow perspective for the school is 60 students.

Enrollment is key to the financial sustainability of Hope Academy. On average it costs \$20,000 per year to educate one student at Hope Academy. The state of Indiana tuition reimbursement is approximately \$10,000 per student. This amount includes both basic tuition support and alternative education funds. The \$10,000 per student deficit is supported through fundraising efforts. Additionally, the Fairbanks Board of Directors is committed to funding all indirect costs. The staff at Hope Academy is very cognizant of the fact that the school's ability to maintain a positive cash flow hinges on two very important points. First, consistent higher enrollments on the ADM count day which is the basis of the schools reimbursement for the entire year. Since Hope Academy is a small charter school meeting the needs of kids with substance abuse issues, typically the enrollment increases after the count day due to students being expelled from their home schools. This creates a financial challenge for Hope Academy as we serve an average of 70 students per year, nearly double the number we are paid for in a year. Second, Hope Academy must continue to receive additional alternative education money of at least \$5,000 per student to assist in meeting a positive cash flow (this money is currently in the state of Indiana budget). Hope Academy has taken a hands-on approach by meeting with State Representatives, Senators and community leaders throughout the state educating them on the vital resource Hope Academy provides and the enrollment challenges the school faces with one count day per year. The school anticipates that through the support of legislators and community leaders the additional alternative education dollars will stay in the new state budget.

The impact of the school's financial challenges has been somewhat mitigated because Hope Academy is a sole member of Fairbanks. Fairbanks is committed to ensuring that Hope Academy remains financially solvent. As such, Fairbanks has continued to contribute financially to the school by forgiving the overhead costs of salaries and rent to the school approximately \$270,000 per year. In addition, when necessary, the Fairbanks Board of Directors has approved interest free short-term loans to meet cash flow at the school. Fairbanks and Hope Academy continue to work together to understand how we can make the school more financially sustainable.

D) The Adequacy of the School's Projections of Revenues for the Next Three Years

Hope Academy has provided budget projections for the charter renewal that provide very specific and optimistic enrollment targets for the coming years. The projection for FY 13 indicates a net loss of (\$34,630). It is important to note this loss is anticipated despite an enrollment count of 56 students and additional Alternative Education funding of \$5,000 per student. The school has indicated it will try to cover the deficit by outside contributions from

individuals and corporations. The school is actively seeking other ways to meet ongoing deficits. The school board has formed a special enrollment taskforce. Additionally, the school continues its effort to make sure the community is aware of its services. This has most recently materialized in an adolescent commercial aired by Fairbanks targeting the parents of teens struggling with addiction. Hope Academy is actively fundraising and recently hosted Taste of Hope, a fundraising event which profited \$16,000.

The projections for FY 14 and FY 15 improve; however, it again is important to note that these projections are based on an enrollment count of 56 students and additional Alternative Education funding of \$5,000 per student. The school projects the profit for FY 14 to be \$128,063. When depreciation is considered, the projected FY 14 profit is \$97,272. The projected profit for FY 15 is \$88,108. When depreciation is reflected, the expected FY 15 profit drops to \$57,317. Our office will continue to monitor the school's finances closely to ensure they are on track.

E) The School's Fulfillment of Financial Reporting Requirements under Sections 10 and 17 of the Charter Agreement

The school has fulfilled financial reporting requirements under Sections 10 and 17 of the charter agreement.

| 2.2. Are the school's student enrollment, attendance, and retention rates strong? | |
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| STANDARD | The school is consistently fully enrolled. Student attendance and retention rates are generally at or above the school's agreed-upon target rates. |

2011-12 Performance: Does Not Meet Standard

Hope Academy did not meet its enrollment target for 2011-12. The following chart displays the school's target enrollment compared with its official fall enrollment, as reported by the IDOE.

| Year | Target Enrollment | Fall Enrollment | Percent Below |
|-------------|--------------------------|------------------------|----------------------|
| 2011-12 | 60 | 54 | 10% |

***Source:** Official fall enrollment figures from the IDOE. Target enrollment is the maximum capacity from the school's charter agreement with the Mayor's Office, submitted by the school.*

The 2011-12 the attendance rate at HA was below the average of the state and county.

| | HA | MC | IN |
|------------------------------------|-----|--------|-------|
| 2011-12 Attendance rate | 92% | 96.06% | 96.1% |

No targets have been established for student retention rates for HA.

Based on the 2011-12 performance Hope Academy does not meet the Mayor's Office standard for this indicator because they were not fully enrolled, and had an attendance rate that was lower than both the county and state.

| 2.3. Is the school's Board active and competent in its oversight? | |
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| STANDARD | The school's board a) contributes a broad skill set and is reflective of the community; b) is knowledgeable about the school and able to make decisions in a timely fashion; c) has policies and by-laws that are consistently followed, regularly reviewed, and include clearly defined roles and responsibilities for members; d) consistently achieves quorum and adheres to Indiana's Open Door Law; e) records meeting minutes that are thorough, accurate and transparent; f) regularly conducts a formal evaluation of the school against established academic, financial and operational performance goals; and g) has a written plan for the succession of leadership. |

2011-12 Performance: Meets Standard

In 2011-12, Hope Academy's Board was knowledgeable about the school, its needs, and its priorities. Its membership reflects a broad skill set and is representative of the community, and attendance at board meetings has been consistent. Board membership is complete and stable, is generally representative of the community, and contributes a broad skill set of expertise areas.

Members had a broad skill set and varied backgrounds, including representatives from business, non-profit, public education, community volunteer organization, legal, medical, and higher education. Some members also served on the Board of Fairbanks and participated on Fairbanks committees that help the school.

The Board of Hope Academy was active in its stewardship to the school and clearly understood its role and responsibility of providing fiscal and operational oversight of the school. Board members believed the board's main functions were to provide governance and oversight, ensure financial stability, and engage in strategic planning. Board meeting reports and a conversation with the school leader and board reflected that the board was familiar with students and understood issues involving academics, retention, financial challenges, finance, enrollment, marketing the school, and sobriety issues.

Board meetings were regularly held (bi-monthly), attendance was consistent, and the board consistently had enough members present to establish a quorum. At the conclusion of this academic year, Fairbanks CEO and HA board member as well as the HA board chair will be

retiring and rolling off the board. It is imperative that HA's board recruit board members who can fill these two very important slots. Accordingly, the school meets the Mayor's standard for this indicator for 2011-12.

| 2.4. Is there a high level of parent satisfaction with the school? | |
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| STANDARD | More than 80% but less than 90% of parents surveyed indicate that they are satisfied overall with the school. |

2011-12 Performance: Exceeds Standard

In the spring of each year, researchers administer anonymous surveys to parents of students enrolled at Mayor-sponsored charter schools. In 2011-12, 100% of Hope Academy parents reported overall satisfaction with the school. According to the data, the school exceeds the Mayor's Office standard for performance for this indicator for the 2011-12 academic year.

| 2.5. Is the school administration strong in its academic and organizational leadership? | |
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| STANDARD | The school's administration a) has sufficient academic and organizational expertise; b) has been sufficiently stable over time; c) has clearly defined roles and responsibilities among administrators; d) actively engages in a process of continuous improvement and mid-course corrections; e) has established high expectations for all stakeholders – staff, students, and parents; f) has organized operations and secured necessary resources to effectively implement the mission of the school; g) ensures the school achieves strong academic and operational performance; and h) has developed a plan for succession for administrators and staff. |

2011-12 Performance: Meets Standard

In 2011-12, roles and responsibilities among and between school leaders appeared to be clearly delineated and leadership had remained stable over time, and actively engaged in a process of continuous improvement and mid course corrections.

The school's principal and Chief Operation Officer (COO) collectively demonstrated sufficient academic and business expertise. The school's principal, who has been in the position four years, was responsible for the academic and day-to-day operations of the school. The principal had made significant changes and improvements to the school's curriculum and disciplinary processes and attended to the school's culture. The COO's primary responsibilities included continuing to refine the school's vision, managing the financial affairs of the school, and working with the school's principal to achieve the school's mission. The COO functioned as a second school leader and had significant business expertise and a long-standing relationship with Fairbanks. The COO was involved in the founding of Hope Academy and serves as an important bridge between the school and Fairbanks.

The school has engaged in a consistent and comprehensive continuous improvement process in areas of enrollment, retention, and expansion of extracurricular elements. In 2010-11, HA did make some substantial mid course corrections regarding their curriculum and school culture, developing the Supportive, Therapeutic, Action-focused, Recovery Room (STARR) Program which creates a stronger support network for students to develop both academic and recovery skills before transitioning into mainstream classrooms. In 2011-2012, the school successfully implemented the program, reinforcing high expectations of all stakeholders and simultaneously providing the resources and operational structure for students, staff, and teachers to be successful.

The school's administration is working on a data metric package to drive school performance goals to ensure the school achieves strong academic and operational performance goals specifically for a recovery high school. Accordingly, the school meets the Mayor's Office standard for this indicator for 2011-12.

| 2.6. Is the school meeting its school-specific organizational and management performance goals? | |
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| Meets standard | School has clearly met its school-specific organizational goal. |

Not Evaluated. Hope Academy did not have school-specific organizational and management performance goals to be evaluated for 2011-12.